

Public Power Costs Less

Residential customers of investor-owned utilities paid average rates that were 13 percent above those paid by customers of publicly owned utilities during 2002. Public power customers paid an average of 7.6 cents per kilowatt-hour for residential electric service, compared to 8.6 cents per kilowatt-hour paid by residential customers of investor-owned utilities, and 7.8 cents per kilowatt-hour paid by residential customers of cooperative utilities.

Across the country, publicly owned electric utilities continue to lead the way in providing customers with low-cost energy for homes and businesses. The chart below compares the national average residential, commercial and industrial revenue per kilowatt-hour paid by customers of publicly owned, investor-owned and cooperative electric utilities in 2002.

Commercial customers of investor-owned systems paid 8 percent more for electricity than public power customers in 2002. Public power commercial customers paid an average of 7.2 cents per kWh, compared to 7.8 cents per kWh

paid by commercial customers of investor-owned utilities and 7.1 cents per kWh paid by commercial customers of cooperative utilities.

Industrial customers of investor-owned utilities and public power utilities paid similar rates in 2002, averaging 4.9 cents per kWh, while industrial customers of cooperative systems paid average rates of 4.2 cents per kWh.

Publicly owned utilities' average rate advantage has narrowed a moderate amount in the last few years, and an important reason was the addition of a very large, new public power utility, Long Island Power Authority in New York, which displaced a high-cost private power company. LIPA's one million customers represent almost 6 percent of all public power customers, so LIPA's rates have a statistically noticeable effect on public power's average revenue per kilowatt-hour.

Importantly, LIPA's customers have benefited from their switch from Long Island Lighting Company to public power, as LIPA was able to reduce the average rate

charged to its residential customers by 16 percent and the average rate charged to its commercial customers by 8 percent. (LIPA's 1999 rates as compared to LILCO's 1998 rates. Neither LIPA nor LILCO have distinguished between commercial and industrial customers.)

State restructuring activities in several states have also narrowed the gap between publicly owned and investor-owned utility rates as some states have required investor-owned utilities to implement rate reductions or rate freezes as part of retail choice. In addition, the rate comparisons do not cover sales to all ultimate customers, as customers served by an alternative supplier are excluded from the database. These customers typically are investor-owned utility customers in high-cost states. In addition, beginning with 2002 data, Texas investor-owned utilities in ERCOT are not included in the state or national average revenue per kilowatt-hour calculations. These utilities no longer report any sales to retail cus-

tomers in accordance with the Texas retail choice program. The exclusion of sales to customers served by alternate suppliers

changes the overall composition of the database, so care should be taken in making year-to-year comparisons.

The 2002 data presented here are based on information reported to the Department of Energy, Energy Information Administration on Form EIA-861, Annual Electric Utility Report. Data were reported by 2,007 publicly owned electric utilities, 230 investor-owned utilities and 882 cooperative utilities operating in the 50 states and District of Columbia. The table on the following page shows revenue per kilowatt-hour information by state and utility type. ●

Retail Electric Rates

